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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Macroeconomic policy questions: international trade and development; international financial system and development; external debt crisis and development

Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Globalization and interdependence: globalization and interdependence

Social development: implementation of the outcome of the World Summit for Social Development and of the twenty-fourth special session of the General Assembly

Follow-up to the outcome of the Millennium Summit

Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development
New York, 16 April 2007

Substantive session of 2007
Geneva, 2-27 July 2007
Item 6 (a) of the provisional agenda**
Implementation of and follow-up to major international United Nations conferences and summits: follow-up to the International Conference on Financing for Development

Letter dated 4 April 2007 from the Permanent Representative of Spain to the United Nations addressed to the Secretary-General

I have the honour to transmit a document containing a summary of the proceedings of the Intergovernmental Conference on Middle-Income Countries held in Madrid on 1 and 2 March 2007 (see annex). The Conference was organized by the Ministry of Foreign Affairs and Cooperation of Spain and the Department of Economic and Social Affairs of the Secretariat of the United Nations. It was attended by more than 80 delegations, including 51 delegations from middle-income countries, together with representatives of developed countries, international organizations and financial institutions.

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I should appreciate it if you would circulate this letter and its annex as a document of the General Assembly and the Economic and Social Council.

In the case of the General Assembly, I should be grateful if you would have this letter and its annex circulated as a document of the sixty-second session under items 50; 54 (a), (b) and (c); 55; 58 (a); 64 (a); and 119 of the preliminary list.

With respect to the Economic and Social Council, I should appreciate it if this letter and its annex could be circulated both for the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development to be held on 16 April 2007 and for the upcoming substantive session of the Council to be held in Geneva from 2 to 27 July 2007 under item 6 (a) of its provisional agenda.

(*Signed*) Juan Antonio **Yáñez-Barnuevo**

Annex to the letter dated 4 April 2007 from the Permanent Representative of Spain to the United Nations addressed to the Secretary-General

Summary of the proceedings of the Intergovernmental Conference on Middle-Income Countries

The Intergovernmental Conference on Middle-Income Countries was held in Madrid on 1 and 2 March 2007. It was organized by the Ministry of Foreign Affairs and Cooperation of Spain and co-sponsored by the Department of Economic and Social Affairs of the Secretariat of the United Nations. It was attended by more than 80 delegations, including 51 delegations from middle-income countries, together with representatives of developed countries, international organizations and financial institutions.

Opening session

The Conference was opened by Miguel Ángel Moratinos, Minister for Foreign Affairs and Cooperation of Spain, who welcomed the delegations and thanked them for attending. The Minister made a presentation regarding progress achieved by Spain's cooperation programmes in recent years. He underlined the commitment assumed by Spain, together with the rest of the international community, to making the Millennium Development Goals a reality. In that regard he stressed the major quantitative and qualitative leap in Spanish cooperation efforts, with the result that its official development assistance would equal 0.5 per cent of GDP by the end of 2008. Turning to the theme of the Conference, he pointed out that, although the international community had managed to put together an agenda to accelerate progress in the poorest countries, it had not made similar advances with respect to cooperation with middle-income countries (MICs). There were, however, good reasons why the international community should try to make up that deficit by providing support to the development efforts of MICs, not only because of the importance of the countries that fell into that category, but also because their development could have a positive impact on the international system as a whole. The purpose of the Conference was to address that challenge in a concerted fashion and to explore more deeply the rationale for, the content of and possible ways and means of implementing international cooperation with MICs.

José Antonio Ocampo, United Nations Under-Secretary-General for Economic and Social Affairs, stressed that the first reason for supporting middle-income countries was the common goal of combating poverty, since a significant proportion of the world's poor resided in those countries. Cooperation with MICs was also justified as a way of improving their ability to integrate more fully and advantageously into international markets, bolstering their contribution to international and regional public goods, enhancing their capacity to serve as hubs for development in their regions and creating a system of international cooperation with incentives compatible with the goal of development. With a reference to the background document prepared for the Conference, the Under-Secretary-General pointed out three critical areas for cooperation with MICs. A prime objective was that MICs should develop an efficient and credible institutional framework, which would entail taking action to address the divisions in their social fabric and providing Governments with resources sufficient to implement public policies

directed to that goal. Secondly, it was necessary to improve the financial stability of the middle-income countries, which would entail securing adequate space for countercyclical macroeconomic policies and developing deeper domestic financial markets; it would also entail reforms in the international system to make it more effective in preventing crises. Lastly, there was a need to empower MICs to achieve sustainable growth over the long term, which would require consolidating productive specialization in dynamic sectors with greater value-added and higher technological content. To facilitate that process, progress would need to be made in the Doha Round in putting an end to measures distorting trade.

Rodrigo de Rato, Managing Director of the International Monetary Fund (IMF), alluded to the efforts that IMF was making to introduce policies favourable to middle-income countries. He pointed out that during the past four years MICs had grown more than 50 per cent faster than they had during the preceding decade, as a result of their greater openness to trade and their capacity to attract private capital. However, they still faced the challenge of moving ahead more rapidly in reducing poverty. According to a recent study by the World Trade Organization (WTO) and the International Labour Organization (ILO), trade liberalization and educational policies had a positive impact on growth, and that suggested two areas that MICs could work on. In that regard, he stressed the importance of making progress on multilateral trade agreements during the Doha Round. He also emphasized the importance of strengthening capital markets, which would entail new rules, as it also in some cases brought new vulnerabilities. Reducing the risks would require sound macroeconomic policies and credible institutional frameworks. IMF would support those processes, but was not in favour of bail-outs, which could create problems of moral hazard. Lastly, he described some of the policies IMF had introduced that were of benefit to MICs, including: (i) ongoing surveillance of national economies and the international financial system; (ii) review of crisis prevention instruments and the development of new financial facilities; (iii) reform of the Fund's governance structure to give a stronger voice to MICs such as China, Mexico and Turkey.

Supachi Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), pointed out that, in view of the heterogeneity that characterized the middle-income countries, it was helpful to subdivide them into more homogeneous subgroups. UNCTAD had identified five broad categories of MICs. The first category comprised a group of newly industrializing countries such as the Republic of Korea, Singapore and Taiwan Province of China that had achieved a considerable degree of industrial maturity through the rapid accumulation of capital, a rise in industrial employment, productivity growth and exports. The second category comprised newly industrializing economies such as Malaysia and Thailand that had made the transition from resource-based and labour-intensive production to specialization in products with medium and high technological content and greater value-added. In third category were placed countries such as Argentina, Brazil, Mauritius, Mexico, South Africa and Turkey that had made progress in moving away from production of primary commodities towards labour-intensive manufacturing. The fourth category consisted of countries, including some African and Latin American countries, that had reached a certain level of industrialization but were not yet able to sustain a dynamic industrialization process. The fifth category comprised countries such as Angola, Bolivia, Guatemala and Sri Lanka that continued to base their growth on the exploitation of natural

resources; the problems they faced differed little from those of the least developed countries. He also reported that in its efforts to design strategies for development UNCTAD was working with WTO and the International Trade Centre to promote the progress of low-income and low middle-income countries, primarily in Africa, through assistance in the area of trade and through promotion of small and medium-sized enterprises under its Empretec programme.

Following the opening presentations, the Conference turned to consideration of the four key topics; the debate was structured as follows:

First session: Cooperation with middle-income countries: the role of donors and international organizations

Moderator: Mr. Francisco E. Laínez, Minister for Foreign Affairs, Republic of El Salvador

Introductory speakers: Mr. Enrique Iglesias, Secretary-General of the Ibero-American Secretariat (SEGIB); and Mr. Victor Manuel Barbosa, Minister for Foreign Affairs, Cooperation and Communities, Cape Verde

Second session: Financial stability in middle-income countries

Moderator: Mr. David Vegara, Secretary of State for Economic Affairs, Ministry of Economic and Financial Affairs, Spain

Introductory speaker: Mr. Chalongphob Sussangkarn, President of the Thailand Development Research Institute

Third session: trade integration and competitive advantages of middle-income countries

Moderator: Mr. Jean Ping, Deputy Prime Minister and Minister for Foreign Affairs, Gabon

Introductory speakers: Mr. Munir Akram, Ambassador, Permanent Representative of Pakistan to the United Nations and Chairman of the Group of 77 in New York; and Mr. Kevin Casas, Second Vice-President and Minister for Planning, Costa Rica

Fourth session: Social cohesion and democratic governance

Moderator: Ms. Leire Pajín Iraola, Secretary of State for International Cooperation, Spain

Introductory speakers: Mr. François Bourguignon, Chief Economist and Senior Vice President for Development Economics, World Bank; Mr. Richard Manning, Chairman of the Development Assistance Committee, Organisation for Economic Co-operation and Development (OECD); and Mr. Joao Cravinho, Secretary of State for Foreign Affairs and Cooperation, Portugal

In each session the introductory statements were followed by an extensive debate. The most significant contributions to the debates are summarized below, organized by topic.

Cooperation with middle-income countries: the role of donors and international organizations

The main contributions to the debate on this topic were as follows:

(1) Frequent reference was made to the significant heterogeneity of the group of countries categorized as middle-income, which suggested the need to define more homogenous subgroups to shape donor policies.

(2) Beyond the heterogeneity mentioned, many delegations agreed that it was appropriate to tailor a specific approach to MICs, since their conditions and needs were not the same as those of the poorest countries. In that regard, the timeliness of the Conference was often mentioned.

(3) Both in classifying countries and in defining donor approaches, it was considered appropriate to go beyond the criterion of per capita GDP and incorporate such other variables as the efforts a country had made to progress towards the Millennium Development Goals, its achievements in the area of democratic governance and respect for human rights, its contribution to environmental conservation and world peace or its transparency and efficiency in management of aid resources.

(4) Several delegates agreed on the relevance of the three problem areas noted in the report prepared for the Conference, which referred to the three basic vulnerabilities that MICs suffered from (social and institutional vulnerability, financial vulnerability and productive vulnerability).

(5) On the basis of the agreement expressed surrounding these three problem areas, it was also felt to be appropriate to consider the effect that migratory pressures were having on MICs and the resulting effects in terms of loss of human capital and receipt of remittances.

(6) It was agreed that international cooperation with MICs should be directed at increasing the degree of autonomy (policy space) of those countries in the design and execution of their own development strategies. The need to reduce the conditionality of cooperation policies and to support the process of ownership of development by the beneficiaries was stressed.

(7) Various delegations underlined that it was appropriate to base cooperation on a better and more balanced dialogue between donors and recipients, while making progress on the principles defined by the Paris Conference for the achievement of effective cooperation (ownership, harmonization, mutual accountability and managing for results).

(8) Given the relatively high level of development of MICs, it was felt that they could be of particular importance in giving impetus to South-South cooperation modalities, involving the countries themselves in the design and execution of cooperation activities, through support for horizontal and triangular cooperation.

(9) Although the Millennium Development Goals constitute essential objectives, several delegations stressed the possibility that MICs could advance towards targets even more ambitious than the Goals, incorporating other aspirations for social and economic progress in those countries. It would therefore be appropriate to establish new parameters to measure their efforts.

(10) It was agreed that an effort should be made to adapt cooperation instruments to the conditions in MICs. Formulas of the "Poverty Reduction Strategy" type did not always appear to be the most appropriate: the relatively small amount of assistance and the greater institutional capacity of the countries could discourage recourse to such intrusive formulas. Nevertheless, it was appropriate for aid to be incorporated into national development strategies designed by the recipient countries themselves.

(11) With regard to the role of multilateral development banks, it was noted that the following tasks were relevant to MICs: (i) support for access by those countries to capital markets; (ii) support for the development of local financial markets; (iii) implementation of measures to strengthen the private sector; (iv) support for efforts to improve infrastructure; (v) financial support to local government — direct loans to local bodies under the supervision of the central Government; (vi) incentives for best practices to achieve greater efficiency in social expenditure; (vii) support for activities to promote technological innovation; and (viii) democratization of credit. The efforts that the World Bank was making in this area to define a strategy and some specific tools in respect of MICs were welcomed, and the review of the governance criteria of the development banks was considered highly important, allowing them to take on greater risks and promote increased technical cooperation.

Financial stability in middle-income countries

The following ideas arose from the debate on financial stability:

(1) The need to promote greater and more stable integration of MICs into international financial markets was stressed. Although it was agreed that currently more benign conditions existed in the capital markets, the view was expressed they did not benefit all countries and could not they be considered permanent. Some capital volatility continued to exist, and the risk of potential crises had not disappeared.

(2) It was agreed that capital markets tended to accentuate the procyclical thrust of macroeconomic policies. That affected MICs in particular, many of which were highly integrated into the capital markets but had weak regulatory frameworks, fragile institutions and a vulnerable currency. Therefore those countries needed more leeway to develop a countercylical macroeconomic policy, including alternatives in the areas of exchange, monetary and fiscal policies.

(3) It was felt that MICs were hampered by the incompatibility between the objectives of fixed exchange rates, full international capital mobility and sovereign monetary policy (the so-called "impossible trinity"). In order to overcome that incompatibility and make room for countercyclical action, on occasion it could be reasonable to resort to certain controls on the movement of capital.

(4) In order to gain room for manoeuvre, it was also considered important for MICs to have efficient national financial markets with some depth. Achieving such markets required democratizing credit by improving access by individuals to banks, increasing the efficiency of financial intermediaries and establishing an adequate regulatory framework allowing for the operation of market-generating institutions ("market makers"), such as pension funds or real estate investment funds.

(5) It was felt that, in an increasingly open environment, it was necessary to improve financial information in order to be able to develop effective economic policy responses; it was also essential for countries to maintain a healthy macroeconomic environment.

(6) International experience — especially the case of Asia — showed the importance of regional cooperation in the macroeconomic, financial and technical assistance areas in giving countries more autonomy in the design of their policies and increasing levels of security in the face of market volatility.

(7) Several delegations stressed the need to demand greater responsibility on the part of international financial agencies in their work of providing assistance and financing to countries. While the countries had work to do to improve their policies, the agencies should also undertake reforms and change past behaviours.

(8) Along those lines, it was felt that it was appropriate for the multilateral development banks to review the criteria of their soft loan windows in order to facilitate the transition of countries in the lower-middle-income category to the upper-middle-income category among MICs.

(9) Lastly, it was considered useful to convene a conference to debate financial volatility in MICs, its effects on growth instability and ways to reduce it.

Trade integration and competitive advantages of middle-income countries

The following views were expressed with regard to the trade integration of countries:

(1) It was stressed that one of the spheres in which the heterogeneous nature of MICs was expressed was in the conditions of their access to international markets. In that regard it was considered appropriate to distinguish between large-scale economies, countries with an abundance of valuable resources and countries with deficiencies in their international integration. In each of these groups the problems and needs were different.

(2) It was felt that for MICs as a whole, it was important for progress to be made in the Doha Round of trade negotiations, specifically in (i) the reduction of agricultural subsidies and the elimination of export subsidies (of any kind); (ii) the elimination of tariff peaks that the developed countries imposed on industries of interest for the manufacturing exports of MICs; and (iii) the need to put an end to the phenomenon of neo-protectionism and the presence of tariff barriers.

(3) Similarly, it was felt that the TRIPS and TRIMS agreements should be revised so that they would not prevent MICs from taking fuller advantage of the opportunities that foreign investment and dissemination of knowledge would open up for the development of an industrial strategy.

(4) Under the heading of trade, it was also considered appropriate to make progress towards a more precise definition of special and differentiated treatment for developing countries, one which would include a broader view of their circumstances and take into account their productive vulnerabilities.

(5) Other topics of interest also related to trade negotiations were: (i) the need to support the development of technical and institutional capacity in

developing countries, for which the "aid for trade" mechanism could be useful; and (ii) establishment of an effective commodity price stabilization mechanism.

(6) In order to develop competitive capacity, productive and technological change in MICs was considered crucial so that the countries could transition towards specialization in more dynamic sectors more conducive to the accumulation of technological capacity. MICs must have room for policies aimed at stimulation of national industry.

(7) In order to stimulate productive change and improve competitive capacity in middle-income countries, it would be necessary to support the efforts that MICs were making to improve infrastructure; the multilateral development banks could provide support in that area. By the same token, it was necessary to strengthen national science and technology systems in MICs and support their efforts to bridge the digital divide. In that area multilateral institutions — financial and non-financial — and the donors themselves could provide useful support.

(8) It was also noted that an important feature of the international integration of MICs was their status as the main sources of international emigration. It was felt that progress was needed towards regulation of the migratory phenomenon that would allow the positive potential of emigration to be used to full advantage (and its negative aspects avoided), both for the emigrants themselves and for their countries of origin.

(9) On that subject, the view was expressed that the financial institutions of developed countries should cooperate in reducing the transaction costs associated with sending remittances; and that both the host countries and the countries of origin should help to promote the most productive use possible of the savings of emigrants.

Social cohesion and democratic governance

The following were among the most significant views expressed concerning social cohesion and democratic governance:

(1) It was felt that one of the most serious problems faced by MICs was the need to build effective and credible institutions capable of articulating high-quality collective action. While support from international aid might be useful in meeting that goal, it should be understood that it was a long-term process that must basically be endogenous.

(2) Both for ethical reasons, relating to recognition of individual rights, and in order to firmly establish institutions and reduce insecurity and violence, there was a need to reduce the high levels of inequality and combat poverty in MICs.

(3) In order to move that process forward, it was felt that a more active distributive policy should be implemented, promoting access by the disadvantaged to education and health services and providing social protection networks for the poorest.

(4) Progress towards those goals required the establishment of an efficient and equitable tax system capable of providing the State with sufficient resources and combating tax evasion. Taxes must be legitimized in the eyes of the taxpayers through encouragement of greater accountability by public institutions to the citizenry.

(5) Although building such a tax system was the responsibility of MICs themselves, it was felt that donors could make a contribution through active efforts in the area of technical assistance and through support for strengthening the institutions responsible for tax collection and budgetary management.

(6) While efforts by MICs aimed at building universal social protection schemes, it was felt that the development of systems targeting the most disadvantaged sectors could help to reach that goal. Lessons learned from protection mechanisms with built-in incentives for change, such as the conditional cash transfers of Mexico's *Oportunidades* programme, were considered to be positive.

(7) Efforts to foster social cohesion were incomplete without simultaneous progress towards local empowerment and emphasis on the rights of people as opposed to institutions.

(8) Lastly, it was considered that a gender perspective should be maintained throughout the entire process, not only because women constituted the majority of the disadvantaged, but also because gender inequalities could be a factor in promoting inequality within the society.

Closing session

At the closing session, José Antonio Ocampo said that discussions throughout the Conference had not only confirmed, but also enriched, the thrust and contents of the report prepared by the sponsoring institutions. He noted the need to give take into account information beyond per capita income for a better classification of MICs on an international scale. He also noted the value of a new approach to the Millennium Development Goals, to incorporate new, stricter standards in the case of MICs. It was clear that donors should pay greater attention to the heterogeneity of MICs and should base their responses on gradation of aid (rather than graduation from aid), taking the relative vulnerability of MICs into account. He also referred to the need for MICs to deepen their local financial markets, make progress towards achieving more dynamic competitive advantages, develop further their technological capacities and take full advantage of the opportunities associated with the migration and the use of remittances. All those factors argued in favour of revising international cooperation instruments and redefining the actors' roles (for example, development banks could evolve into investment banks). He also emphasized aid exchange mechanisms as a means of enhancing human development and the importance of co-development programmes in countries affected by migration. Lastly, he made four comments on the situation of MICs: (i) the written — and unwritten — rules governing international markets could have a greater impact on MICs than direct transfers of resources; (ii) it should be borne in mind that MICs were agents of the global agenda and that their contribution was essential to an adequate provision of international public goods; (iii) consideration should be given to the many dimensions of regional cooperation, both as a means of strengthening support for the development efforts of MICs and to establish a better articulated system of international institutions; (iv) traditional concepts of cooperation differentiating between recipients and donors should be abandoned and efforts directed at strengthening frameworks, such as South-South cooperation, in which the MICs themselves would be involved in cooperation efforts, and expanding mutual learning opportunities, in accordance with the Monterrey Consensus.

Leire Pajín, Secretary of State for International Cooperation of Spain, made a concluding statement. She thanked the delegates for attending and for their work during the sessions of the Conference. The valuable discussions that had taken place attested to the interest the topic had aroused in the international community. The background document prepared for the Conference would serve as a guide for further reflection on cooperation with MICs. She also reiterated the Spanish Government's commitment to cooperating in support of the international community's efforts to develop, together with the countries concerned, an approach and modalities for cooperation with MICs. She announced that another Conference would be held the following autumn, hosted by the Government of El Salvador, for further work on analysing and defining international responses.

Conclusions

The Conference was convened on the basis of two assumptions: first, that cooperation with MICs requires cooperative efforts at the international level, a constructive dialogue in which MICs themselves play an active and leading role. Establishing a doctrinal framework for cooperation with MICs and defining its contents and most relevant instruments is a task that donors and recipients must share. Second, in order for the work to bear fruit, reflection and discussion must be based on a serious analytical effort aimed at precisely assessing the situation of MICs and defining the most appropriate response in each case. Any policy design process must include rigorous analysis to be successful. The sponsoring institutions therefore commissioned a broad study on the topic and prepared a background document as a basis for discussion, which was endorsed and enriched by the statements made during the Conference.

The following 10 points, which emerged during the debate, may serve as conclusions:

1. First, the statements made by the delegates, who included a significant number of ministers and deputy ministers, confirmed the timeliness of the conference. There was a shared conviction that the international community had not, to date, succeeded in developing adequately a *rationale and guidelines for cooperation to be provided to MICs and defining its content*. The efforts made to define an approach for aid to the least developed countries had not been accompanied by similar efforts to respond to the specific needs of the middle-income countries. The Conference underlined the need to bridge that gap, particularly if the goal is to develop a coherent and effective system of cooperation which will support countries in their development efforts and consolidate their achievements as they move along the path towards progress.

2. The Conference is merely the *beginning of a process which must be continued*. Although the main issues and strategic areas of action have already been identified, the ideas that emerged during the sessions pointed to a need for more detailed and in-depth study of the most appropriate responses in each case. A priority aspect is the identification of effective tools for combating poverty in MICs. This will facilitate decision-making with regard to both national policy and international cooperation. Perhaps a forthcoming meeting will provide the opportunity further to define the problems under review and continue these cooperative efforts.

3. *There are reasons why the international community should increase its support for the development efforts of MICs*. First, a large segment of the population lives in

conditions of poverty in these countries. According to the definition of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC-OECD), over 40 per cent of the world's people living on less than two dollars a day live in MICs. Furthermore, owing to the particular vulnerabilities of MICs, international cooperation is needed to forestall losing ground in the economic and social progress already achieved. International cooperation also supports the decisive contribution made by these countries to the international system through the provision of regional and international public goods (or the prevention of potential public evils). It supports their capacity to promote growth in their respective regions and, ultimately, their contribution to stability, governance and progress throughout the world. Cooperation with this group of countries is also to be recommended with a view to establishing a coherent system of cooperation that provides incentives compatible with international development goals.

4. MICs are characterized by a high level of *heterogeneity*. It is significant that this group is defined by what they are not: they are neither the poorest nor the wealthiest countries in the world. Their diversity is striking: these countries are very different in size, characteristics and capacities. This suggests the unwisdom of a single diagnosis, or a uniform treatment. Within this middle-income group are five countries with a population of over 100 million people, while 33 others have populations of less than 2 million. In 2003, there was a wide divergence in per capita income, which ranged from $766 to $9,385. In some of these countries life expectancy approaches 75 years of age, whereas in others it barely reaches 50. Twenty-seven countries are small islands, whereas others have continental dimensions. Some have a wealth of natural resources, while others suffer from adverse geography. That diversity requires a more precise characterization of this large, heterogeneous group that will provide clearer guidance to donors. To that end, other factors need to be considered that go beyond a mere reference to per capita GDP.

5. In spite of this diversity, there are certain areas that call for *greater cooperation with MICs*. These areas relate to the specific vulnerabilities of MICs:

- First, the difficulties of consolidating *democratic governance* and establishing effective and credible institutions, which entails improving *social cohesion* within the country. To achieve both objectives, it is essential to establish a fiscal pact in these countries that can supply the State with adequate resources to provide social goods and that promotes adequate levels of equality;
- Secondly, the difficulties of achieving a *more stable integration into international financial markets*, which requires changes to the structure of international markets and development and expansion of national markets to go hand in hand. For similar reasons, these countries need room to develop a countercyclical macroeconomic policy;
- Lastly, the difficulties of establishing *productive and trade specialization in the most productive sectors*, to enable them to generate a dynamic process of technological development and to promote sustainable competitiveness in the countries.

In addition, significant migratory flows are another defining characteristic of MICs, and this suggests that it is necessary to find better ways of using remittances to promote development.

6. *Official development assistance (ODA) will always have a limited role in the finances of many MICs*. Other means of funding development, including those associated with trade, the transfer of technology, direct investment or access to private capital markets, will be more relevant. And just as important as ODA are the other components of international cooperation. It is therefore even more crucial to MICs to improve the levels of coherence among developed countries' policies.

7. The experiences and capacities of MICs can have a positive impact on the progress of other countries with a similar or inferior level of development. One of the most promising ways of promoting international cooperation is to *increase support for South-South cooperation through horizontal and triangular cooperation modalities*. Support for regional cooperation processes in the fields of macroeconomic dialogue, financial cooperation or technical assistance are vital to the progress of MICs. It should therefore be possible to rethink the development cooperation system and to replace an excessively dual structure that makes a sharp distinction between donor and recipient with a system in which countries gradually become involved in cooperation tasks, even when they are the recipients of aid.

8. Changes to the international regulatory frameworks within which they operate are as important as bilateral action to MICs. One of the avenues for promoting cooperation with MICs should be *to promote changes to the regulatory frameworks in the fields of trade, finance and technology transfer* so that international regimes offer greater opportunities to developing countries. Various obstacles in the international regulatory frameworks impede these countries in making headway in the process of the sustainable consolidation of development efforts, and it is necessary to work on removing those obstacles. It is therefore crucial for MICs to be better represented in the governing bodies of multilateral institutions.

9. Given that MICs and the poorest countries require different evaluations and cooperation arrangements, *cooperation instruments* can be different. The efforts undertaken by the World Bank and other multilateral institutions to adapt their instruments to the specific realities of MICs are most welcome. More precisely, the more comprehensive and intrusive cooperation instruments, such as the Poverty Reduction Strategies, may not be the best answer in many MICs. It is perhaps necessary to work with greater flexibility and with a more targeted approach to allow for dialogue based on the central principle that should govern aid, that of ownership.

10. Lastly, the achievement of the international community's development agenda, especially the Millennium Development Goals, is the responsibility of all. *In the case of MICs, it may be possible to go beyond the Millennium Development Goals*, among other reasons, because their level of progress necessitates working with a more complex and ambitious development agenda. This idea was expressed by a number of delegations. The donor community should be sensitive to this fact and should establish clear criteria for providing aid and international support that take into account the progress made by MICs in the various areas of their own agendas.